

California Code of Regulations
Title 25, Division 1
Chapter 7
Proposed Amendments to
Subchapter 3

1. Amend Section 7204 as follows:

Section 7204. Eligibility Criteria.

(a) Organizations. Only organizations which satisfy the following criteria are eligible grantees:

(1) The grantee is a local public entity, a nonprofit corporation or a cooperative housing corporation;

(2) The grantee has demonstrated its ability to proceed with the construction or rehabilitation of the housing development upon commitment of grant funds; and

(3) The grantee is or will be the record owner in fee of, or the holder of a leasehold interest in, the site on which the housing development is or will be situated. The terms and conditions of any proposed lease shall permit the lessee to make improvements on and encumber the property, and permit compliance with all requirements of this subchapter. For rental projects, a lease accepted as security shall meet the requirements of Subchapter 19, Section 8316.

(b) Housing Development. The grant may only be expended for housing developments that meet the following criteria:

(1) The housing development must contain assisted units to be occupied by agricultural households.

(2) To the greatest extent possible, assisted units are to be occupied by lower-income agricultural households.

(3) To the greatest extent possible, any non-assisted units are to be occupied by agricultural households.

(4) To the extent consistent with the maintenance of the financial integrity of the housing development, assisted units are to be made available to lower-income households at affordable rents as defined in Section 6692 of Title 25,

California Administrative Code; and for lower-income occupants of cooperative housing, at a total monthly housing cost, including utilities, not to exceed 25% of monthly net income.

(5) When grant funds are to be used for homeownership purposes, assisted units are to be made available to lower-income households at a total monthly housing cost not to exceed 35% of monthly net income.

(A) An eligible household's monthly housing costs may exceed 35% of monthly net income if all of the following conditions are satisfied:

1. the proposed housing costs are approximately the same as the present housing costs of the household, and
2. a satisfactory credit record has been maintained by the households, and
3. the household has demonstrated an ability to sustain its present housing expense without serious difficulty.

(B) In the alternative, a different standard can be applied if it has otherwise been determined by the Department that the eligible household can assume greater responsibility for monthly housing costs.

NOTE: Authority cited: Sections 50402 and 50406, Health and Safety Code.
Reference: Section 50517.5, Health and Safety Code.

2. Amend Section 7234 as follows:

Section 7234. Operation of Rental and Cooperative Housing Developments

Except as otherwise explicitly set forth in this section, operation requirements shall refer to the entire development and all units therein, rather than only to the assisted portion:

(a) **Occupancy Restrictions.** The grantee shall maintain the housing development so that assisted units shall only be occupied by agricultural households in accordance with the provisions of [Section 7208\(g\)\(3\)](#).

~~(b) **Initial Operating Capital Reserves.** The grantee shall have available an amount sufficient for initial operating expenses, as determined by the Department, up to 2% of the total value of the housing development.~~ Operating reserves for a housing development shall be established as required by Section 8308. The Department, at its discretion, may allow the use of the grant funds to satisfy part or all of this requirement.

~~(c) **Replacement Reserve.** Replacement reserves for a housing development shall be established as required by Section 8309. Grantee shall establish a replacement reserve for the purpose of defraying the cost of infrequent major repairs and~~

~~replacement of building components that are too costly to be absorbed by the housing development's annual operating budget.~~

~~(1) Withdrawals from the replacement reserve shall require prior written approval of the Department. Should the Department fail to take action on a request for a withdrawal from the replacement reserve within 30 days of documented receipt of the request, that request will be deemed approved.~~

~~(2) The replacement reserve shall be funded from the operating income of the housing development or a combination of operating income and development sources.~~

~~(A) For the determination of feasibility of new construction projects at the application stage, the application shall reflect annual deposits to the replacement reserve account in an amount of 0.6% of estimated construction costs associated with structures in the development or no less than \$400 per unit per year, adjusted for inflation each year following the year 2000 in accordance with changes in the CPI (as defined in [Title 25, California Administrative Code, section 7301\(f\)](#)). Prior to funding, the periodic deposit requirements will be modified based on the amount shown in a reserve study, or other reliable indicators of the need for replacement reserve funds over time, acceptable to the Department. In the absence of a reserve study or other reliable indicators, the replacement reserve deposit amount shall be 0.6% of the construction contract costs associated with the structures in the development.~~

~~(B) For the determination of feasibility of rehabilitation projects at the application stage, annual deposits to the replacement reserve account shall be at least \$400 per unit per year, adjusted for inflation each year following the year 2000 in accordance with changes in the CPI (as defined in [Title 25, California Administrative Code, section 7301\(f\)](#)). Prior to funding, the periodic reserve deposits for rehabilitation projects shall be modified based on a third party physical needs assessment, or other reliable indicators of the need for replacement reserve funds over time, acceptable to the Department.~~

~~(3) The Department shall periodically adjust the amount of required deposits to the replacement reserve for a particular development based on the results of reserve studies for other reliable indicators of the need for replacement reserve funds over time.~~

~~(4) The Department may agree with other development financing sources to allocate authority regarding amounts deposited into or withdrawn from the replacement reserve where the Department determines that such arrangement would not jeopardize the fiscal integrity of the development and the minimum reserve requirements would be maintained. Projects subject to the federal Housing and Urban Development (HUD) Section 811 and 202 programs or receiving a permanent loan from the California Housing Finance Agency (CHFA) shall not be subject to these reserve requirements during the time such projects are regulated by HUD or CHFA.~~

(d) Housing Costs. The Department will approve a schedule of rents or cooperative housing fees as may be necessary to provide occupants of the housing development with affordable housing costs to the extent consistent with the maintenance of the fiscal integrity of the housing development and the requirements of other agencies which have financed the housing development.

(1) The grantee shall not increase the rent or cooperative housing fees on any unit of the housing development without the prior permission of the Department, which shall be given if the grantee demonstrates that such increase is required to defray necessary operating costs or to avoid jeopardizing the fiscal integrity of the housing development and that such increase complies with the procedures and limits required by the federal or other state agencies which have financed the housing development.

(e) Occupancy Rules. Documents, including rental agreements, governing, tenant occupancy of the housing development shall be subject to approval by the Department.

(f) Bilingual Services. The grantee shall provide bilingual services and publications to the occupants of the housing development, as appropriate.

(1) If requested, the Department will provide grantees technical assistance in meeting this obligation.

(g) Maintenance. The grantee shall maintain the housing development in a way which protects the public interest and the health, safety and welfare of its occupants, and the secured interest of the Department.

(h) Right of Inspection. The Department may, through its agents or employees, with prior notice enter upon and inspect the lands, buildings, and equipment of the grantee, including books and records, at any time before, during or after the construction or rehabilitation of the housing development.

(1) The Department shall neither enter or inspect any unit which is occupied, whether or not the occupant is present, without the prior consent of the occupant.

(2) After inspection of the housing development, the Department may require such repairs or corrections as may be necessary to protect the public interest or the health, safety, or welfare of the occupants of the housing development.

NOTE: Authority cited: Sections 50402 and 50406, Health and Safety Code. Reference: Section 50517.5, Health and Safety Code.

3. Adopt a New Section 7239 as follows:

Section 7239. Uniform Multifamily Underwriting and Program Rules.

(a) The following sections of title 25, Division 1, Chapter 7, Subchapter 19 are hereby incorporated by reference into this subchapter and shall apply to rental housing developments receiving assistance from the Farmworker Housing Grant Fund.

- (1) Section 8302. Restrictions on Demolition;
- (2) Section 8303. Site Control Requirements.
- (3) Section 8304. Unit Standards;
- (4) Section 8305. Tenant Selection;
- (5) Section 8306. Tenant Recertification and Unit Mix Maintenance;
- (6) Section 8307. Rental Agreement and Grievance Procedure;
- (7) Section 8310. Underwriting Standards;
- (8) Section 8311. Limits on Development Costs;
- (9) Section 8312. Developer Fee for Projects with LIHTC.
- (10) Section 8313. Developer Fee for Projects without LIHTC.
- (11) Section 8314. Use of Operating Cash Flow.
- (12) Section 8315. Subordination Policy.
- (13) Section 8316. Leasehold Security.

(b) For purposes of this section 7239 and subsections (b) and (c) of section 7234, the definitions found in Section 8301 shall apply.

(c) In the event of a conflict between the provisions of Subchapter 19 and this Subchapter 3, the provisions of this Subchapter 3 shall prevail.

NOTE: Authority cited: Sections 50402 and 50406, Health and Safety Code.
Reference: Section 50517.5, Health and Safety Code.